

Message Text

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USEEC
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E. O. 11652: N/A
TAGS: EFIN, ELAB, UK
SUBJECT: TUC GENERAL COUNCIL REJECTS LABOR
GOVERNMENT PAY POLICY BUT AVOIDS CONFRONTATION

REF: (A) LONDON LL677 (B) LONDON 11638

SUMMARY
IN A STATEMENT TOUGHER THAN CALLAGHAN HAD EXPECTED, THE
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JULY MEETING OF THE TUC GENERAL COUNCIL SOUGHT TO
SEPARATE THE TUC FROM THE GOVERNMENT'S NEW ROUND OF PAY
POLICY, AND YET AVOID CONFRONTATION THAT MIGHT HARM
LABOR'S ELECTION CHANCES. THE STATEMENT REFLECTED THE
TUC'S UNHAPPINESS WITH THE PRECIOUS LITTLE ITS LEADERS
HAD WON FROM CALLAGHAN ON PAY POLICY AND THEIR CONSCIOUS-
NESS OF THE LIMITED SUPPORT THEY COULD DELIVER TO THE

GOVERNMENT. THUS THE GENERAL COUNCIL STRESSED AGREEMENT BETWEEN THE TUC AND THE GOVERNMENT ON THE IMPORTANCE OF THE "BATTLE AGAINST INFLATION" WHILE DECLARING "CONTINUED CENTRAL DETERMINATION OF PAY WILL MAKE MORE DIFFICULT... COLLECTIVE BARGAINING PROBLEMS...INTENSIFIED UNDER EARLIER STAGES." IT CRITICIZED THE GOVERNMENT FOR CONCENTRATING ON RESTRICTING PAY INSTEAD OF "CREATING A CLIMATE" FOR "RESPONSIBLE BARGAINING" BY PAYING MORE ATTENTION TO OTHER ASPECTS OF ECONOMIC POLICY. YET THE TUC DID LEAVE ITSELF THE IMPLICIT OPTION OF SUPPORTING A LABOR GOVERNMENT WHERE CHALLENGES TO PAY POLICY MIGHT

THREATEN THE GOVERNMENT'S COUNTER-INFLATIONARY EFFORTS.
END SUMMARY

1. THE TUC GENERAL COUNCIL PRODUCED ITS EXPECTED REJECTION OF THE GOVERNMENT'S PAY POLICY FOR THE YEAR FROM AUGUST 1, 1978 AT ITS MEETING OF JULY 26. THE COUNCIL, WITH THE LONE EXCEPTION OF THE POST OFFICE WORKERS' LEADER TOM JACKSON, REJECTED THE GOVERNMENT'S POLICY AND REITERATED LAST YEAR'S CONGRESS COMMITMENT TO FREE COLLECTIVE BARGAINING. THE STATEMENT AGREED BY THE COUNCIL ASSURED THE GOVERNMENT THAT THE TUC FULLY SHARES ITS "DETERMINATION TO WIN THE BATTLE AGAINST INFLATION BUT DOES NOT ACCEPT THE GOVERNMENT'S VIEW ON HOW THIS CAN BE ACHIEVED." THE TUC ARGUED THAT VICTORY IN THIS BATTLE,
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DEPENDS "NOT ON GUIDELINES OR NORMS, BUT ON THE GOVERNMENT'S GENERAL ECONOMIC AND SOCIAL POLICIES...AND THE TRADE UNION RESPONSE TO THESE POLICIES." THE GENERAL COUNCIL EXPRESSED CONCERN THAT THE GOVERNMENT HAD INSUFFICIENT FAITH IN TRADE UNION NEGOTIATORS TO FIND SOLUTIONS TO THE PROBLEMS CREATED BY PAST PHASES

WITHOUT ARRIVING AT INFLATIONARY SETTLEMENTS. IT ALSO OPPOSED GOVERNMENT INTENTIONS TO IMPLEMENT PAY POLICY THROUGH SANCTIONS IN THE PRIVATE SECTOR.

2. IN AN IMPORTANT CONCLUDING PARAGRAPH, THE GENERAL COUNCIL'S STATEMENT TURNS TO GOVERNMENT (WHITE PAPER) COMMENTS, REFERRING TO A LONGER TERM APPROACH TO COLLECTIVE BARGAINING ENVISAGING SOME SORT OF BROAD ANNUAL AGREEMENT ON THE MAXIMUM LEVEL OF EARNINGS COMPATIBLE WITH KEEPING INFLATION UNDER CONTROL. "THE GENERAL COUNCIL DOES NOT SEE THE FUTURE IN TERMS OF THE CONTINUATION OF RESTRICTIVE POLICIES ON CURRENT LINES. THEIR INTENTION IS TO BRING ABOUT THE RESTORATION OF FREE COLLECTIVE BARGAINING...THIS IS QUITE COMPATIBLE WITH A THOROUGH DISCUSSION OF ALL FACTORS IN BRITAIN'S ECONOMIC AND SOCIAL SITUATION BUT IT IS NOT COMPATIBLE

WITH POLICIES THAT CONCENTRATE ON RESTRICTING PAY AND
CONSTRICTING COLLECTIVE BARGAINING, WHICH HAS AN
ESSENTIAL ROLE IN ANY STRATEGY FOR INDUSTRIAL CHANGE
AND ECONOMIC ADVANCE."

3. COMMENT: THE GENERAL POSTURE OF THE TUC CAME AS NO

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SURPRISE TO THE GOVERNMENT. YET THE LABOR GOVERNMENT
WANTED SOME COMMITMENT OF TRADE UNION SUPPORT. THE
LANGUAGE EVENTUALLY CHOSEN IN THE STATEMENT, THOUGH
TOUGHENED DURING THE COURSE OF THE GENERAL COUNCIL'S
MEETING, LEAVES CONSIDERABLE ROOM FOR LATER REINTERPRE-
TATIONS TO FIT CHANGING CIRCUMSTANCES. ACCORDING TO
GENERAL COUNCIL MEMBERS WHO NEGOTIATED WITH CALLAGHAN,

THE TUC WAS ABLE TO EXTRACT VERY LITTLE IN THESE
DISCUSSIONS-ON A SHORTER WORKING WEEK, ON THE LEVEL OF
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SETTLEMENTS, ON RIGIDITY, ON PRIVATE SECTOR SANCTIONS
OR ON ANYTHING IT COULD GIVE TO THE MEMBERSHIP AS
EVIDENCE OF ITS INFLUENCE WITH GOVERNMENT. AND
CALLAGHAN COULD GET NO POSITIVE COMMITMENTS ON PAY.
BUT IF THE RELATIONSHIP IS SOMEWHAT STRETCHED. IT IS
NOT BROKEN. THE MUTUAL LOYALTIES, AT LEAST AT THE TOP,
ARE SOLID.

4. ACCORDING TO TOP LEVEL GENERAL COUNCIL SOURCES THE
TUC STATEMENT EMERGED AFTER SEVERAL HOURS OF DISCUSSION
OF ITS PHRASING AND IMPLICATIONS. NEVERTHELESS, THERE
SEEMED TO BE A CONSENSUS THAT (A) THE GOVERNMENT,

PARTICULARLY CALLAGHAN AND HEALEY, HAD BADLY MISJUDGED
THE STRENGTH OF TRADE UNION UNHAPPINESS WITH THE
STRICTURES OF CONTINUED GOVERNMENT PAY POLICY; (B)
CALLAGHAN AND HEALEY HAD FOCUSED TOO MUCH ON PAY POLICY
AS A DEVICE FOR COUNTERING INFLATION AND (C) GROUNDSWELLS,
SUCH AS THOSE AT THE UNION CONFERENCES, INDICATED THAT
THE TIME HAD COME FOR THE TUC TO DEMONSTRATE ITS
INDEPENDENCE OF THE GOVERNMENT. THE TUC WANTED NO
CONFRONTATION WITH THE GOVERNMENT ON THE EVE OF AN
ELECTION, BUT ITS CREDIBILITY WITH THE TROOPS WAS
WEARING THIN.

5. AT THE SAME TIME, TUC LEADERS TELL US THERE REMAINS
DEEP CONCERN IN THE TRADE UNIONS ABOUT THE CONTINUED
INFLATIONARY THREAT, AND THAT THEY EXPECT THIS TO BE A
POWERFUL FACTOR WHICH WILL CONDITION TRADE UNION
NEGOTIATIONS. THEY EXPECT THAT WORKERS WILL PREFER TO
SETTLE BELOW THE LEVELS OF THE LAST ROUND TO INDUSTRIAL
ACTION. BUT TUC LEADERS SAY THESE DOMINANT FEELINGS IN
THE TRADE UNIONS ARE NOW DILUTED BY SERIOUS DOUBTS ABOUT
THE DEGREE OF LINKAGE BETWEEN PAY, INFLATION AND

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UNEMPLOYMENT. THUS, THEY SAY, COLLECTIVE BARGAINING
MUST BE FREER THAN THE RIGID CONSTRAINTS LAID DOWN BY
THE GOVERNMENT IF THE LABOR MARKET IS TO SORT ITSELF
OUT.

6. GENERAL COUNCIL MEMBERS POINT OUT THAT THE TUC STATE-
MENT (IN SOME FORM) WILL BE ENDORSED AT THE BRIGHTON
CONGRESS. THEY SEE IT AS GIVING THE TUC SCOPE FOR A

CONTINUING SPECIAL RELATIONSHIP WITH THE GOVERNMENT,
AND EVEN LEAVE THE TUC LEADERSHIP THE OPTION OF IMPLICIT
COOPERATION ON PAY POLICY IN INSTANCES WHERE "FREE
COLLECTIVE BARGAINING" COULD THREATEN THE GOVERNMENT'S
COUNTER-INFLATIONARY POLICY. THUS. (AS LEN MURRAY AND
DAVID BASNETT POINT OUT) WHILE THE TUC QUARRELS WITH
THE USEFULNESS OF THE GOVERNMENT'S CONTINUED DEPENDENCE
ON PAY NORMS. THERE IS NO SPECIFIC TUC REJECTION OF THE
GOVERNMENT'S "FIVE PERCENT GUIDELINE." THERE IS NO COM-
MITMENT BY THE TUC TO AFFILIATES WHICH MIGHT CHALLENGE
THE GOVERNMENT'S GUIDELINES, THOUGH SUCH A COMMITMENT
MAY BE PROVIDED BY CONGRESS. MOREOVER, WHILE THE TUC
DOES NOT "SEE THE FUTURE IN TERMS OF THE CONTINUATION OF

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RESTRICTION ON CURRENT LINES" IT RETAINS FOR ITSELF THE
OPTION OF PLAYING A ROLE IN INFLUENCING "ALL FACTORS IN
BRITAIN'S ECONOMIC AND SOCIAL SITUATION."

7. AT THIS STAGE THE CONSENSUS AMONG TUC LEADERS SEEMS
TO BE THAT CALLAGHAN WITH A FIVE PERCENT GUIDELINE IS
RISKING HIS TRADE UNION SUPPORT, HIS PROSPECTS OF MAKING
THE GUIDELINES STICK, AND HIS POPULAR CREDIBILITY.
THEY HOPE HE MAKES IT, BUT SAY THAT THERE IS LITTLE
THEY CAN DELIVER TO HELP HIM THE FOURTH TIME AROUND.
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HENCE THE TUC HAS STEPPED BACK TO LEAVE COLLECTIVE
BARGAINING TO "THE NEGOTIATORS..TO DEAL IN A RESPONSIBLE
WAY WITH THE SPECIFIC CIRCUMSTANCES AND PROBLEMS FACING
THEM..."

8. MURRAY, BASNETT, AND OTHER SENIOR LEADERS ARE WARY OF
PREDICTIONS. THEY WILL LOOK FOR CLUES IN MAJOR
NEGOTIATIONS NOT DUE FOR TWO OR THREE MONTHS. (THUS
CALLAGHAN COULD FIGHT AN OCTOBER ELECTION WITHOUT A PAY
POLICY TEST.) THEY EXPECT BREAKTHROUGHS AND DRIFTS;
BUT PRIVATELY SPECULATE THAT THE RISE IN AVERAGE EARNINGS
FOR THE NEW PAY ROUND MIGHT STILL BE KEPT TO 8 OR 9PERCENT

-- ASSUMING THAT INFLATION REMAINS IN SINGLE FIGURES IN
THE NEW YEAR. BUT THEY ARE UNEASY THAT DOUBLE FIGURES
WILL SHOW UP. THEY ASSUME THE 12 MONTH CYCLE (BETWEEN
WAGE SETTLEMENT DATES) WILL CONTINUE TO PREVAIL, AND
THE BARGAINING MOOD OF MODERATION TO BE STRONGER THAN
DURING THE PREVIOUS ROUND. INDIVIDUAL MAJOR TRADE UNION
LEADERS TELL US THEY PLAN TO USE THEIR INFLUENCE TO
MODERATE EXCESSIVE WAGE DEMANDS.THEY HARBOR NO RESENTMENT
OVER CALLAGHAN'S "BIDDING OVER THEIR HEADS" TO THE
TRADE UNION MEMBERSHIP AND "GOING TO THE COUNTRY" FOR
SUPPORT. THEY WANT CALLAGHAN TO WIN A MAJORITY IN A
GENERAL ELECTION(IF HELD IN OCTOBER) AND SAY THEY WILL
WORK TO BRING IT ABOUT, BUT THEY DOUBT HE CAN GET IT.
ACCORDINGLY, THEY SAY THE TUC MUST HAVE FLEXIBILITY TO
DEAL WITH THE CONSERVATIVES SHOULD THE LATTER FORM A
GOVERNMENT BEFORE THE NEXT PAY ROUND HAS GONE VERY FAR.
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